

ILLINOIS
COMMERCE COMMISSION
FEB 9 11 02 AM '01

Illinois Bell Telephone Company

Application for review of alternative
regulation plan.

98-0252 CHIEF CLERK'S OFFICE

Illinois Bell Telephone Company

Petition to rebalance Illinois Bell Telephone
Company's Carrier Access and Network
Access Line Rates.

98-0335

(cons.)

Citizens Utility Board and
The People of the State of Illinois

-vs-

Illinois Bell Telephone Company

00-0764

Verified Complaint for a Reduction in Illinois
Bell Telephone Company's Rates and Other
Relief.

STAFF'S PRE-TRIAL BRIEF, OUTLINE AND ISSUES LIST
ICC DOCKETS NO. 98-0252//98-0335/00-0764 (Consol.)

A. ALTERNATIVE REGULATION PLAN – 5-YEAR REVIEW

1. Scope of Proceeding

The scope of this proceeding is delineated by the Commission's authority under Section 13-506.1 of the Public Utilities Act, 220 ILCS 5/13-506.1. Further, the Commission, in its Order authorizing the Alternative Regulation Plan, see Illinois Bell Telephone: Petition to Regulate Rates and Charges of Noncompetitive Services Under an Alternative Regulation Plan, et al., ICC Docket No. 92-0448/93-0239 (consol.), Final Order (October 11, 1994)

Staff witnesses addressing the scope of the proceeding are Jeffrey H. Hoagg, Staff Exhibit Nos. 1, 15.

**a. Inflation Index As An Adequate Reflection Of
Economywide Inflation;**

*Staff Exhibit No. 2 at 7-11, Exhibit No. 14 (Staranczak)
Exhibit Nos. 11, 25 and --, generally (Freetly)
Exhibit No. 12 and 26 generally (Nicdao-Cuyugan)
Exhibits No. 13 at 6-11, 16-19, 19-25 passim., 30 et seq.;
Exhibit No. 27 generally (Koch)*

- b. Assessment Of Productivity Gains And Whether The General Adjustment Factor Should Be Modified;**

Staff Exhibit No. 2.0 at 7-11, 16-18; Exhibit No. 16 generally(Staranczak)
- c. Retention / Adjustment Of Monitoring And Reporting Requirement;**

Staff Exhibit No. 3.0 at 25-6 (Zolnierrek); Exhibit No. 4.0 at 10-17; Exhibit No. 18.0 (Marshall).
- d. Network Monitoring;**
- e. Listing Of Services In Each Basket / Report Of Cumulative Percentage Changes In Prices For Services;**

Staff Exhibit No. 13 at 12 (Koch)
- f. Listing Of Withdrawn Services;**

Staff Exhibit No. 13 at 13 (Koch)
- g. Listing Of Reclassified Services;**

Staff Exhibit No. 13 at 14 (Koch)
- h. Summary Of New Services;**

Staff Exhibit No. 13 at 15 (Koch)
- i. Information Regarding Changes In Universal Service Levels;**

Staff Exhibit No. 9 at 38-9 (Jackson)
- j. Whether / Extent Which Plan Has Met Statutory And Regulatory Goals.**

Staff Exhibit No. 1.0, 15.0 generally (Hoagg); virtually all Staff witnesses not testifying to accounting or financial matters, passim.

3. Statutory criteria

a. Just and Reasonable Rates [13-506.1(b)(2) and (a)(6)]

Staff Exhibit No. 1 at 9-11, Exhibit No. 15, passim., (Hoagg); Exhibit No. 3 at 16-24 (Zolnierrek); Exhibit No. 13, 27 generally (Koch)

b. Service Quality [13-506.1(b)(6)]

Staff Exhibit No. 1 at 15-21 (Hoagg); Exhibits No. 8 and 22 throughout (McClerren); Exhibits No. 9 and 23 throughout (Jackson).

c. Ratepayer benefits [13-506.1(b)(5)]

Staff Exhibit No. 1 at 9-11 (Hoagg); Staff Exhibit No. 3 at 16 et seq. (Zolnierrek); service quality witnesses generally

d. Other statutory criteria in Section 13-506.1(b) [13-506.1(b)(1),

(3), (4), and (7)

e. Policy goals under Section 13-506.1(a)

Staff witnesses Hoagg, Staranczak, and Zolnierrek (Exhibits No. 1, 2, 3, 15, 16, 17) address all policy issues

1. regulatory delay and costs

2. innovation

3. efficiency

4. broad dissemination of technical improvements

5. economic development

6. policy goals in Section 13-103

f. Promotion of competition

Staff Exhibit No. 3.0 at 3-16; Exhibit No., 17 generally (Zolnierrek)

**B. ALTERNATIVE REGULATION PLAN REVIEW – GOING FORWARD
PROPOSALS**

1. Components of Existing Plan

Staff Exhibit No. 2.0 at 3-6; Exhibit No. 16 generally (Staranczak)

a. Price Index

1. measure of inflation

Staff Exhibit No. 2.0 at 7-11; Exhibit No. 16 generally (Staranczak)

2. productivity offset and consumer dividend

Staff Exhibit No. 2.0 at 7-11; Exhibit No. 16 generally (Staranczak)

3. exogenous change factor

Staff Exhibit No. 2.0 at 12; Exhibit No. 16 generally (Staranczak)

4. service quality factor

Staff Exhibit No. 2.0 at 12-14 (Staranczak); Exhibit No. 8.0 and 16 generally (McClerren); Exhibit No. 9.0 at 41 et seq. (Jackson)

b. Pricing Flexibility

Staff Exhibit No. 3.0 at 16-24; Exhibit No. 17 generally (Zolnierrek); Exhibit No. 13 at 7, 11-15, 19-29; 30-1, 35 37 et seq. ; Exhibit No. 27 generally (Koch); Exhibit No. 14 passim (Hanson)

c. Construction of Baskets

Staff Exhibit No. 13 at 7, 11-15, 19-29; 30-1, 35 37 et seq. ; Exhibit No. 27 generally (Koch); Exhibit No. 14 passim (Hanson)

d. Treatment of Certain Services

1. carrier access services

Staff Exhibit No. 13 at 11 et seq., 11-15; 19-25; Exhibit No. 27 generally (Koch)

2. wholesale (resale) service and UNEs

Staff Exhibit No. 8 at 14-19 (McCleren); Exhibit No. 13 at 11 et seq., 11-15; 19-25; Exhibit No. 27 generally (Koch)

3. 911 services

e. Rate Cap On Basic Residence Services

Addressed generally in Staff testimony; see also, generally, Hanson, Koch

f. API/PCI Issues

Staff Exhibit No. 2 at 7-11; No. 16 generally (Staranczak); Exhibit No. 13 at 7-11; 30-32; No. 27 generally (Koch)

g. Infrastructure Commitment

h. Reporting Requirements

Staff Exhibit No. 3.0 at 25-6 (Zolnierrek); Exhibit No. 4.0 at 10-17; Exhibit No. 18.0 (Marshall).

i. Future Review Schedule

Staff Exhibit No. 1 (Hoagg); Exhibit No. 2 (Staranczak)

j. Competitive Services

Staff Exhibit No. 1 (Hoagg); Exhibit No. 3 at 3 et seq. (Zolnierrek); No. 4 at 5-7 (Marshall); Exhibit No. 13 at 26-29; No. 27 generally (Koch)

k. Merger savings

Staff Exhibit No. 4 at 7-10 (Marshall); other Marshall testimony generally.

2. Rate Reinitialization

Staff Exhibit No. 1 generally (Hoagg); Exhibit No. 2 at 7-11, 14-18; No. 16 generally (Staranczak); conditionally, all testimony filed by Staff witnesses Voss, Hathhorn, Everson, Green, Freetly and Nicdao-Cuyugan

3. Earnings Sharing

Staff Exhibit No. 1 generally (Hoagg); Exhibit No. 2 at 7-11, 14-18; No. 16 generally (Staranczak)

4. Rate-of-Return Regulation

Staff Exhibit No. 1 generally (Hoagg); Exhibit No. 2 at 7-11, 14-18; No. 16 generally (Staranczak); conditionally, all testimony filed by Staff witnesses Voss, Hathhorn, Everson, Green, Freetly and Nicdao-Cuyugan

C. ALTERNATIVE REGULATION PLAN REVIEW – SERVICE QUALITY

GOING FORWARD

1. Statutory standard and Commission precedent

See, generally, all testimony filed by Staff witnesses Hoagg and Staranczak; see also Section 13-506.1 of the Public Utilities Act, 220 ILCS 5/13-506.1; Illinois Bell Telephone: Petition to Regulate Rates and Charges of Noncompetitive Services Under an Alternative Regulation Plan, et al., ICC Docket No. 92-0448/93-0239 (consol.), Final Order (October 11, 1994)

2. Proposed Measures and Benchmarks

Extensively treated in Staff Exhibit No. 8, 22 (McClerren) Exhibit No. 9, 23 (Jackson)

3. Proposed Penalty Structures

a. Proposals “Under the Index”

Extensively treated in Staff Exhibit No. 8, 22 (McClerren) Exhibit No. 9, 23 (Jackson)

b. Proposals “Out of the Index”

Extensively treated in Staff Exhibit No. 8, 22 (McClerren) Exhibit No. 9, 23 (Jackson)

D. REVENUE REQUIREMENTS ANALYSES

1. Revenue and Expense Adjustments

Extensive addressed by Staff witness Voss, Exhibit No. 5, 19, 30; also Everson, Marshall, Green and Hathhorn

a. Directory Revenues

Staff Exhibit No. 7 at 3, and Schedule 7.01; also Exhibits 21 and 32 generally (Everson)

b. Depreciation Expense

Staff Exhibit No. 10 at 3-4; Exhibit No. 24 (Green)

2. Rate Base Adjustments

Staff Exhibit No. 5.0 at 8-9, also Sched. 5.03 and 5.04; Exhibit No. 19 generally; Exhibit No. 30 (Voss); also extensively treated in Staff Exhibits No. 6, 20, and 31 and attached schedules (Hathhorn); Exhibits No. 7, 21 and 32 and attached schedules (Everson)

3. Capital Structure and Rate-of-Return

a. Capital Structure

Treated extensively in Staff Exhibits No. 11, 25 and attached schedules (Freetly)

b. Return on Equity

Treated extensively in Staff Exhibits No. 12, 26 and attached schedules (Nicdao-Cuyugan)

E. SERVICE COSTS AND RATE DESIGN

1. LRSIC studies

Staff Exhibit No. 14 at 5-7; No. 28 at 1-5 (Hanson); see also, generally, all testimony of Staff witness Marshall; see also Staff Exhibit No. 24 (Green)

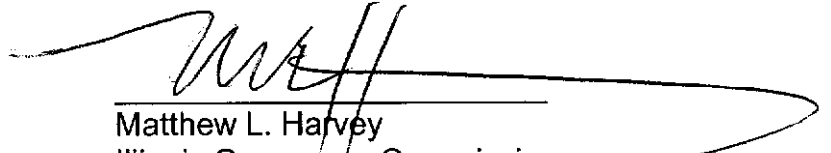
2. Ameritech Illinois' Rate Rebalancing Proposal

Extensively treated in Staff Exhibit Nos. 14, 28, and 34 (Hanson)

3. Other Rate Design Proposals

Staff Exhibit No. 3 at 16-24; Exhibit No. 17 generally (Zolnierrek); Exhibit No. 5 at 4-7, Exhibit No. 19 generally (Marshall); Exhibit No. 13 at 11 et seq., Exhibit No. 27 generally; Exhibit No. 33 generally (Koch)

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "M. Harvey", is written over a horizontal line.

Matthew L. Harvey
Illinois Commerce Commission
Office of General Counsel
160 North LaSalle Street, Suite C-800
Chicago, Illinois 60601
312-793-3243

Counsel for the Staff of the
Illinois Commerce Commission

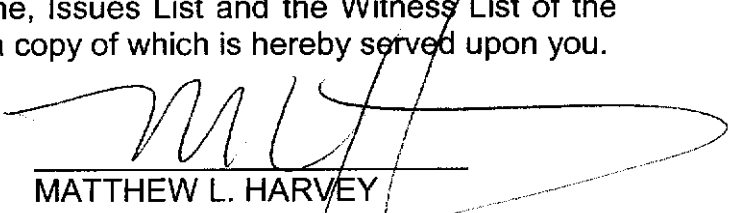
February 6, 2001

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	98-0252
Application for Review of Alternative)	
Regulation Plan)	
 Illinois Belle Telephone Company)	
)	98-0335
Petition to rebalance Illinois Bell Telephone)	
Company's Carrier Access and Network)	
Access Line Rates.)	(cons.)
 Citizens Utility Board and)	
The People of the State of Illinois)	
-vs-)	
Illinois Bell Telephone Company)	
)	00-0764
Verified Complaint for a Reduction in Illinois)	
Bell Telephone Company's Rates and Other)	
Relief.)	

NOTICE OF FILING

PLEASE TAKE NOTICE that we have on this 6th day of February, 2001, filed with the Chief Clerk of the Illinois Commerce Commission, 527 East Capitol Avenue, Springfield, Illinois, the Pre-Trial Brief, Outline, Issues List and the Witness List of the Staff of the Illinois Commerce Commission, a copy of which is hereby served upon you.

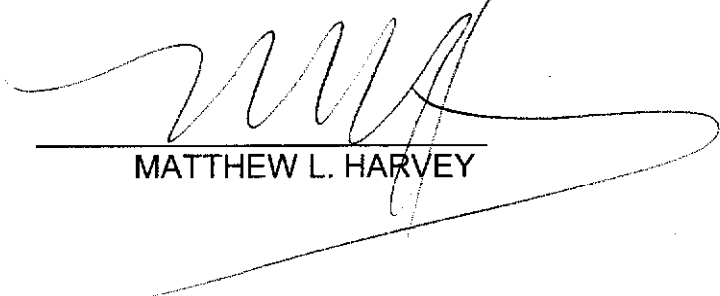


MATTHEW L. HARVEY
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street
Suite C-800
Chicago, Illinois 60601
(312) 793-2877

Counsel for the Staff of the
Illinois Commerce Commission

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the above Notice, together with copies of the document referred to therein, have been served upon the parties to whom the Notice is directed by mail, proper postage prepaid, from Chicago, Illinois on the 6th day of February, 2001.



A handwritten signature in black ink, consisting of stylized, overlapping loops and a long horizontal stroke extending to the right.

MATTHEW L. HARVEY

Service List

Docket No. 98-0252 /98-0335.....MLH

Consolidated

Updated 9-19-00

David J. Chorzempa, William A. Davis
Cheryl L. Urbanski
AT&T Law Department
227 West Monroe Street, Suite 1300
Chicago, IL 60606

Joseph Donovan , Henry T. Kelly
John F. Ward Jr.
O'Keefe, Ashenden, Lyons & Ward
30 N. LaSalle, Suite 4100
Chicago, IL 60602

Theresa P. Larkin
Illinois Bell Telephone Company
V. P. Regulatory Affairs
555 E. Cook St., FL 1E
Springfield, IL 62721

Calvin Manshio
Manshio & Wallace
Suite 732
4753 N. Broadway Avenue
Chicago, IL 60640

Karen L. Lusson
Citizens Utility Board
349 S. Kensington Avenue
LaGrange, IL 60525

Jack A. Pace
City of Chicago
Public Utilities Unit
30 N. LaSalle St., Ste 900
Chicago, IL 60602

Matt C. Deering, Dennis K. Muncy
Joseph D. Murphy
Meyer, Capel, Hirschfeld, Muncy,
306 W. Church Street
Champaign, IL 61826-6750

Michael Ward
Data Net Systems, L.L.C.
1608 Barkley Blvd.
Buffalo Grove, IL 60089

Judith D. Argentieri
AT&T Communications
913 S. Sixth Street, 3rd Floor
Springfield, IL 62703

Daniel Meldazis
Focal Communications
200 N. LaSalle Street
Chicago, IL 60601

Thomas A. Andreoli, Patrick N. Giordano
Giordano & Associates
55 E. Monroe Street, Ste. 3230
Chicago, IL 60603

Lincoln V. Janus, Louise A. Sunderland
Ameritech Illinois
225 West Randolph St., 29B
Chicago, IL 60606

Thomas A. Andreoli, Patrick N. Giordano
Giordano & Associates
55 E. Monroe Street, Ste. 3230
Chicago, IL 60603

Richard E. Heatter, Kent F. Heyman
MGC Communications, Inc.
3301 N. Buffalo Drive
Las Vegas, NV 89129

Carol P. Pomponio
XO Illinois, Inc.
303 East Wacker
Concourse Level
Chicago, IL 60601

Darrell S. Townsley
MCI Telecommunications Corporation
Suite 3700
205 North Michigan Avenue
Chicago, IL 60601

Kemal M. Hawa, Richard M. Rindler
Kathleen Greenan
Swidler & Berlin, Chartered
3000 K Street, N.W., Ste. 300
Washington, DC 20007

Ross E. Kimbarovsky,
Hopkins & Sutter
3 1st Nat'l Plaza, Suite 4100
Chicago, IL 60602

Janice A. Dale
Assistant Attorney General
12th Floor
100 West Randolph Street
Chicago, IL 60601

John F. Dunn
AT&T Law Department
Suite 1300
227 West Monroe Street
Chicago, IL 60606

Clyde Kurlander
c/o Lindenbaum, Coffman, Kurlander & Brisky
Three First National Plaza
70 West Madison St., Ste. 2315
Chicago, IL 60602

Kenneth A. Schiffman
Sprint Communications
8140 Ward Parkway
Kansas City, MO 64114

Peter Q. Nyce
Dept. of The Army
General Attorney
901 N. Stuart St.
Arlington, VA 22203-1837

Carrie J. Hightman
Schiff, Hardin & Waite
7200 Sears Tower
Chicago, IL 60606-6473

David E. Hightower, Susan K. Shay
GTE North Incorporated
1312 East Empire Street
Bloomington, IL 61701

Marie Spicuzza, Leijuana Doss
Allan Goldenberg
Cook County States Attorney's Office
69 W. Washington, Suite 700
Chicago, IL 60602

Samuel McClerren
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Service List

Docket No. 98-0252 /98-0335.....MLH
Consolidated

Page 2

Gregory D. Smith
GTE Service Corporation
1312 E. Empire Street
Bloomington, IL 61701

Janis Freetley
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Torsten Clausen
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Jennifer S. Moore
Illinois Commerce Commission
160 N. LaSalle, Suite C-800
Chicago, IL 60601

Eve Moran
Hearing Examiner
Illinois Commerce Commission
160 N. LaSalle Street, Suite C-800
Chicago, IL 60601

Linda Buell
Office of General counsel
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Joy Nicdao
Illinois Commerce Commission
160 N. LaSalle, C-800
Chicago, IL 60601

Patrick Phipps
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Steve Knepler
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Bill Voss
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Julie VanderLaan
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Robert Koch
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 627061

Christopher Graves
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Alcinda Jackson
Consumer Services Division
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Phillip Casey
Hearing Examiner
Illinois Commerce Commission
160 North LaSalle Street
Chicago, IL 60601-3104

Genio Staranczak
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Donna Caton, Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

John Hester
Chairman & Commissioners
Illinois Commerce Commission
160 N. LaSalle Street, C-800
Chicago, IL 60601

Dianna Hawthorn
Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, IL 62701

Matthew L. Harvey, Sean Brady
David Nixon
Illinois Commerce Commission
160 North LaSalle Street, Ste. C-800
Chicago, IL 60601-3104

Doug Price
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701